



## **SUMMARY**

**of**

**the Experiences and Lessons Learnt  
from the Payout case of  
Soltvadkert Saving Co-operative Bank**

**“White Paper”**

**National Deposit Insurance Fund of Hungary**

**October 2012**

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## I. Executive Summary

The events of 'Soltvadkert' Savings Co-operative Bank (hereinafter: Savings Co-operative or SC) in June-July 2012 formed the fastest compensation process with the biggest amount in the history of Hungarian deposit insurance. The total number of 15,334 respective depositors received more than HUF 33 billion (approximately EUR 120 million) in compensation, which was equivalent to one-third of the assets of NDIF – calculated at market value at that time. NDIF executed the vast majority (98.4%) – in our terminology “large volume” - of payout within half of the statutory deadline (20 working days).

That faster than ever compensation was the result of three factors:

- pursuant to a cooperation agreement between NDIF and HFSA<sup>1</sup>, NDIF had been regularly informed on the HFSA measures adopted against the Savings Cooperative (**early warning**);
- the *joint on-site examination* of the two organisations helped improve the data quality of deposit records. The SC was a partner in this process, and therefore by the closing date NDIF could rely on an adjusted database, the Single Customer View (SCV) data successfully passed the exam (**data quality**);
- NDIF was able to put into standby its internal and external resources and alert its partners by the time of the closing, it was also able to make procurements in time and integrate all experiences of the compensation payments of the previous year into its procedures (**operational preparedness**).

In the course of the compensation of the depositors of the Savings Cooperative, NDIF used outsourced call centre services for the first time and gained favourable experiences in relation to the handling of the expected large number of customer calls professionally.

Pursuant to our standby agreement, we employed a paying agent bank (PAB) under predefined terms and conditions. OTP Bank, which agreed to perform the role of the PAB, undertook a more complex service than before in a predefined customer segment (i.e. all corporate customers and private individual customers having more than HUF 5 million in deposits). Compared to the preferential conditions of the standby agreement, in the individual agreement NDIF insisted on charging no fees at all to customers depositing the compensation received from NDIF in OTP.

The employment of the PAB generated extensive legal, technical and process organisation experiences, which later on will be integrated into the compensation process.

The most important lesson of the compensation process organisation is that *for any large volume compensation the customer service capacity and capability of the paying channels (partners), employed by NDIF, is the biggest hindrance holding back a fast and effective payout case operationally*. An administration capacity shortage, much greater than those occurring during ordinary daily operation occurred at the beginning in the relevant branches of both the Post and OTP Bank, because the paying partners were not duly prepared for such a workload due to the lack of prior capacity tests. *The customer service capacity of the paying partners should be a major policy consideration at any future compensation case of a similar volume and NDIF may need to employ, instead of one, several postal or banking service partners in the process.*

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<sup>1</sup> HFSA – Hungarian Financial Supervisory Authority

As a pioneer in Europe, we integrated into our system a standard satisfaction questionnaire with the purpose of quality control and to be used as a barometer of actual standing of financial stability. The questionnaire, which was used as an experiment first in the compensation process in 2011, was distributed to all depositors receiving compensation payment from NDIF this time. The ratio of responses in the case of the Savings Co-operative was close to 9 per cent, which is an outstanding result compared to similar market campaigns according to the external company evaluating the questionnaires.

*The majority of the respondents (75 per cent) were fully satisfied with the compensation provided by NDIF (for the results' evaluation see Point IV. 6).*

*In terms of financial stability 76% of the respondents considered the EUR 100,000 statutory compensation satisfactory, and 92% of the respondents thought that the 20-working-day payment deadline was acceptable in the case of the dissolution of a credit institution.*

## **Summary of the lessons learnt**

### Institutional-related

- With the involvement of HFSA, NDIF must strictly demand with immediate effect, the correction of administration errors and inadequacies identified during the examination of the SCV data.

### IT-related

- Based on the experiences of this case, the IT system of NDIF should be improved to allow partial payments from blocked or joint deposits.
- Based on a management decision, the system should allow acceptance of imported files by the data loading module, containing minor data errors in the future,.

### Lessons of the Payout

- NDIF must call the attention of administrators of banks and depositors that they must reflect the changes as a result of inherited deposits in the system and to indicate the heir as the new owner of the deposit. It is also the customer's interest, pursuant to a provision of the law, according to which an inherited deposit is considered a separate deposit in terms of compensation for one year from the effective date of the resolution on inheritance or a court resolution, or until the end of the fixed interest rate period, whichever date occurs later.
- Member Institutions need to be informed that in case of guardianship authority deposits the owner is the minor or the guarded individual and not the legal representative; the SCV data must be issued to their name, but the guardianship authority deposit amount must be indicated as a blocked amount.
- Likewise, depositors and member banks must be informed that whenever a sole-proprietor terminates his business, then they may have a deposit account that can be opened by private individuals only.

### Communications

- Standard communication of payout must be regulated in the contract to be concluded with the PAB and the Post. Any multi-party communication of the payout process may impose a risk on effective customer information and may result in disturbing messages, or may be clearly detrimental to the NDIF compensation service.

- Internal communication with the PAB should be coordinated with the help of a principal coordinator.
- According to the legal regulations it is mandatory to use two national daily papers for the official announcements of compensation payments, while depositors in rapidly increasing number tend to get information they want via the internet.
- If the payout is not relevant for country-wide, a paid advertisement published in a regional daily paper could be a more effective option. Likewise, not only printed media, but also electronic media should be used. The results of the depositor satisfaction survey after both compensation processes of the recent past (“Jogazda” Savings Co-operative and ‘Soltvadkert’ Savings Co-operative) showed that online media was more preferred by inflicted depositors to printed daily papers.
- If the payout is made in a clearly defined local geographic area, a local media road show could payoff and prove to be effective. It could be outstandingly important in terms of maintaining contact with local opinion-maker journalists as a result of the increasing weight and credibility of the local media.

## **II. Chronology of the Payout**

### **1. Bank closing**

On 1 June 2012, the HFSA withdrew the operational licence of the Savings Co-operative and simultaneously ordered the voluntary dissolution of the member institution.

### **2. Tasks prior to the closing of the Savings Co-operative**

At the end of February 2012, the HFSA officially reported to NDIF that the new manager of the Savings Co-operative did not consider it feasible to restore the capital position, and therefore ordered a specific inquiry at the Savings Cooperative to establish the actual capital position. The supervisor also prohibited the SC to make any payment to its major owners and ordered daily data supply requirement until the closing of the inspection.

Following the closing of the inspection, HFSA withdrew the operational licence of the Savings Co-operative and initiated its voluntary dissolution on 1 June 2012.

In order to prepare for a payout, the HFSA requested NDIF to conduct an on-site examination at the SC according to NDIF's own criteria in the joint examination framework established by the cooperation agreement between HFSA and NDIF.

The tasks for the SC, specified in the examination report, included updating of the internal regulations, deletion of uninsured depositors (5% owners, individuals in managing position, credit institutions, anonymous depositors, etc.) from the SCV files, supplementing the incomplete registered personal data (tax number for companies, other identification data of private individuals), correction of data content not complying with the specific field, correction of depositor type category and modification of any unjustified multiple compensation limit (by the number of owners in the case of kft-s [limited liability companies] and bt-s [unlimited partnerships]).

The HFSA set a very short deadline for resolving SCV data generation and other deposit registration problems identified in the course of the NDIF on-site examination.

NDIF reviewed again the SCV data files corrected by the SC and accepted the deadline undertaken by the Savings Co-operative for the correction of the remaining errors as they required software programming.

NDIF also reviewed the optional payout methods it wanted to apply for compensation case and the procedures where the payout process could be accelerated or be made more convenient for depositors.

Consequently, with regard to selection of PAB partners from those having a standby agreement with NDIF, the priority for selection was the best possible geographic coverage and the experiences gained with the specific partner bank under the testing environment.

In addition, we also organised the logistic tasks of compensation and arranged for ordering the required quantity of the necessary accessories (envelopes, blank cards, forms, etc.), updated the internal regulations and scenarios on compensation, and the individuals involved in the compensation received personalised assignments from the Managing Director.

We held discussions with our compensation partners on the details of preparations for the expected scenario, focusing primarily on their capacity planning. We also made preparations for the most effective disclosure of the upcoming announcements and information. We drafted the obligatory Announcement for informing customers (in the required two daily papers), prepared the first draft press release and finalised the depositor satisfaction questionnaires to be distributed simultaneously with the payment statements.

### **3. Customer information, communication**

The withdrawal of the operational licence of the Savings Co-operative and the ordered voluntary dissolution of the institution created a difficult situation for informing depositors, because at that time NDIF involvement in the case of voluntary dissolution was not yet possible. (In the case of previous compensation processes, liquidation was launched against the relevant credit institutions.) HFSA immediately proposed modifications of the Act on Credit Institutions and Financial Enterprises to the Ministry of National Economy in order to enable NDIF to commence the payout also in such a case.

For a while, the situation became even more difficult because depositors did not and could not receive a definite answer from any institution about the start of compensation by NDIF, because it depended on Parliament legislation and the signature of the President of the Republic.



Photo: Halas.net

#### **4. Selected technical methods of compensation**

NDIF keeps optimising its payout procedures according to speed, security and convenience to depositors. Based on those three factors NDIF decided to apply three payment methods simultaneously during the case:

##### **Paying Agent Bank**

Compensation was made to all companies (including sole-proprietors, foundations and associations), and private individuals receiving more than HUF 5 million compensation in value through OTP Bank acting as PAB.

In such cases OTP Bank opened a technical account for the individual depositors based on a list provided by NDIF and NDIF transferred the compensation amount to that account. Depositors could collect the amount in cash, re-deposit the amount at the OTP branch, or alternatively issue an order to the branch to transfer the compensation amount into a bank account kept by any another credit institution operating in Hungary.

##### **NDIF Deposit Insurance Card**

Only private individuals with deposit amount of more than HUF 1 million, but less than HUF 5 million were able to collect their compensation by using NDIF Deposit Insurance Cards in the network of the Hungarian Post, and branches and ATM-s of OTP Bank.

##### **Postal remittance order**

Private individual depositors entitled to payout of no more than HUF 1 million received their compensation in the form of a postal remittance order.

#### **5. Compensation tasks of week 1**

##### **19-23 June 2012 (Tuesday - Sunday)**

Amendment of Act CXII of 1996 on Credit Institutions and Financial Enterprises (“Act”) was proclaimed on 19 June, 2012. With that, NDIF was legally authorised to start compensating depositors also in the case of voluntary dissolution.

Thus, NDIF was able to step-in immediately in the voluntary dissolution in progress of SC based on the new statutory provision.

The Board of Directors had previously adopted a resolution No. 19/2012. (VI. 5.) ordering the commencement of the compensation process of the depositors of the Savings Cooperative. Consequently, on 20 June 2012 the NDIF’s Payout Officer, Communication Manager visited the head office of the Savings Co-operative in Soltvadkert in the morning, where the end-of-day closing deposit files of the 19 June 2012 were captured by them and the Savings Cooperative prepared the SCV data files for the closing day of 19 June in their presence as well.

The NDIF’s employees received the data relating to the saved deposit portfolio. Simultaneously, they presented copies of the Announcement containing first information for the customers to be displayed in the branches.

The branch representatives and managers present were informed on the compensation process, the applicable effective legal regulations, the methods of forwarding the received documentation, the administration tasks and on NDIF’s customer information procedures.



The description of the so-called interface program, required for uploading all depositors and deposit data recorded in the information system of the savings cooperative into NDIF's IT system had already been presented to the Administrator of the voluntary dissolution simultaneously along with the withdrawal of the operational licence of the Savings Co-operative. NDIF requested the Administrator to immediately order the IT service partner of the Savings Cooperative, and therefore the file to be uploaded into the IT system was available to NDIF already on 20 June 2012. That fact significantly shortened the data processing time.

In the evening of June 20 2012 the employees of IQSYS (NDIF's IT partner) and NDIF jointly began to upload the data followed by the cleansing and verification of the uploaded files on 21 June 2012. Thus, by 22 June, 2012 the compensation data of the majority of the depositors were already available and we were able to transfer the files containing the depositor data required for starting the actual payments (NDIF Deposit Insurance Card order file, technical account order file for PAB) to the paying partners in the afternoon of the same day. Owing to the well-prepared and tested cooperation, both partners returned the confirmation file with supplemented data on the same day.

Following the uploading of the files confirmed by the paying partners and supplied with data, the electronic files of payment statements to be distributed to depositors were completed and handed over to the partner responsible for distributing them on the evening of 23 June 2012.

## **Cooperation with subcontractors and other contractors**

### **Hungarian Post - cash management**

The compensation data were completed by 21 June 2012. Based on those, first the Hungarian Post was informed, in compliance with the contract between us, on the number of compensation items to be sent to specific towns and villages and the transfers of respective amounts were effected on 25 June 2012.

### **OTP Bank**

Pursuant to the provisions of the Standby Agreement concluded between OTP Bank and NDIF on 4 January 2011, the two parties signed the Individual Agreement regulating the details of the procedure to be applied in the course of compensation of Savings Co-operative on 19 June 2012.

The personal data of the depositors complying with the selection criteria of the payment group generated by NDIF's IT system were transferred through an encrypted channel in the afternoon of 22 June 2012. OTP Bank opened technical accounts for depositors on the same day, on which the compensation amounts were credited respectively based on collective transfer order.

## **NDIF Deposit Insurance Card**

The personal data of the depositors who were compensated according to the payment conditions of the NDF Deposit Insurance Card were sent to OTP Bank in the afternoon of 22 June 2012. Our partner prepared the card numbers allocated to the depositors and sent back the confirmation files to NDIF's use within a short deadline.



## **Postaktív Kft. - generation of payment statements**

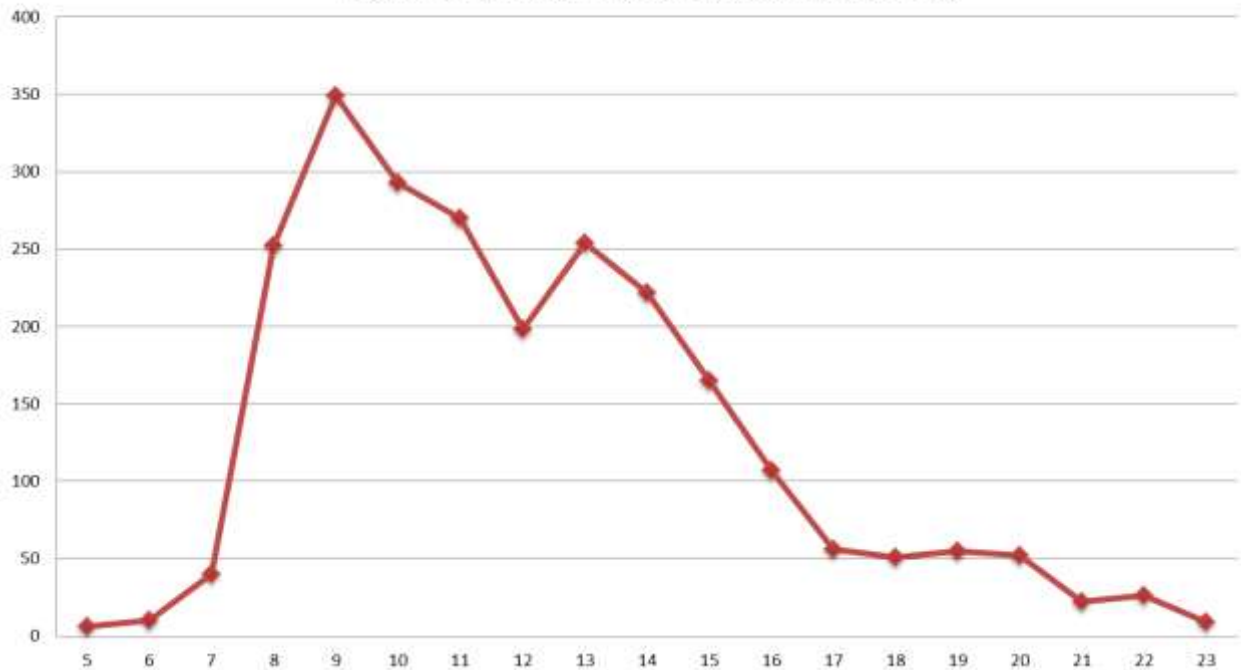
In compliance with its internal regulations, NDIF distributes the payment statements containing details of the compensation amounts to its customers by registered mail with confirmed receipt, to their addresses. We managed to find a company (Postaktív Kft.), which was capable of automating the complete printing and enveloping process and was able to print on the envelope the registration number of the registered mail. Based on previous successful tests, we entered into an agreement with company Postaktív Kft.

## **Customer information, communication**

- The amendments of the Act were proclaimed (thus came into force) on the electronic issue of the Hungarian Gazette (Official newspaper of Hungary) on 19 June 2012. Then MTI (state news agency) published the news on the commencement of compensation by NDIF.
- Between 19 and 21 June 2012, NDIF used all communication tools from its website through its call center to paid Announcements published in Magyar Nemzet, Népszabadság and Petőfi Népe regional newspaper, and began to respond to the media inquiries.
- Depositors kept making polite and calm inquiries about the details, which practice did not change significantly even later on.<sup>2</sup>

<sup>2</sup> The details of customer information and communication actions are described in the Communication chapter.

**Dispersion of the incoming calls during a day**



## **6. Compensation tasks of week 2**

### **25 June - 1 July 2012**

Ten thousand payment statements were sent to the National Logistics Centre of the Hungarian Post on 26 June 2012, followed by further four thousand statements sent the following day.

In case of payments to be made with the NDIF Deposit Insurance Cards depositors received separate letters by post containing their PIN code, followed by a letter containing the card and the instruction for usage, and finally another letter containing the payment statement on the compensated amount.

Payment schedule in week 2:

<b>Payment method/process</b>	<b>Starting day</b>	<b>Number of customers</b>	<b>Amount HUF thd</b>
1) Postal remittance order	25 June 2012 (4th working day)	6958	1,845,935
2) NDIF Deposit Insurance Card			
- Posting of PIN envelopes	25 June 2012 (4th working day)	3939	8,977,248
- posting of cards	27 June 2012 (6th working day)		
- fund transfer	26 June 2012 (5th working day)		
3) through OTP Bank	25 June 2012 (4th working day)	3125	19,475,616
4) posting of payment statements	26 June 2012 (5th working day)		
<b>Total:</b>		<b>14,022</b>	<b>30,298,799</b>
As a ratio of total compensation		<b>91.5%</b>	<b>91.2%</b>

One of the main tasks in week 2 was to monitor the dispatched payment items, to maintain close contact with the partners involved in the payment and to provide compensation for amounts classified in the IT system as blocked deposits, but in fact they were not blocked and were eligible for payment from the deposit. In addition, we contacted a few guardianship authorities to discuss with them the procedure to be applied in the case of minors and guarded individuals having guardianship authority deposits.

### **Cooperation with subcontractors and other contractors**

#### **OTP Bank**

At the end of the 2nd week, depositors received their payment statements, with which they could visit the OTP Bank's branches.

#### **Card supplier**

Customers to be compensated with NDIF Deposit Insurance Cards also received letters containing the card and the PIN codes and the payment statement with the SCV number required for activation of the card, during the same week. Based on the letters received, they were able to activate the cards and once they had activated cards, they could collect their cash as well.

## **Hungarian Post - cash management**

The Hungarian Post began to deliver compensation amounts of less than HUF 1 million on 27 June, 2012 two days after the order of NDIF.

### **Customer information, communications**

On 26 June 2012, NDIF informed the press on detailed compensation data, available from the data files.

The call centre updated the responses given to the most frequently asked questions on a daily basis (Q&A); NDIF responded to new questions raised within one or two hours, and the responses were immediately integrated into the database used by the operators.

On 27 June 2012, NDIF organised the media road show in the impacted region of Bács-Kiskun County.

## **7. Compensation tasks of week 3**

### **2 - 8 July 2012**

#### **NDIF's compensation process**

Items, in which case partial payments were made from blocked deposits were dispatched for payment during that week. We reviewed the complete database searching for items that were not yet generated and paid by the system. With the help of the Savings Cooperative, we contacted non-resident depositors whose data included only their addresses abroad via e-mail or in mail. They were asked to provide the number of an account kept in a Hungarian bank to be used for receiving their compensation amount via bank transfer.

The first customers who did not receive the NDIF Deposit Insurance Card or letter containing the PIN code, and therefore their compensation case had to be managed on a case-by-case basis contacted NDIF during that week. In their cases, OTP Bank was asked to make the cards of such customers technically mature, so that they could not use the cards anymore. The depositors were requested to provide us a bank account number managed by a bank for transferring the total amount of compensation or its residual amount after the return of the funds transferred to the cards by OTP Bank.

#### **Customer information, communication**

On 4 July 2012, NDIF issued a press release stating that 98 per cent of the depositors received their savings deposited in the Savings Cooperative within 10 working days. The number of telephone operators decreased gradually, customer services were reduced to one person at weekend and a duty service in the evening, as the dominance of general inquiries was replaced by responses to specific cases and complaints while simultaneously the number of calls from customers not involved in the compensation, requesting general information, also fell.

## **8. Compensation tasks of week 4**

**9 -15 July 2012**

### **NDIF's compensation process**

To our surprise, only low number of registered letters with confirmed receipt containing payment statements were returned to us (365), compared to the total number of depositors. Some of the letters were returned with "deceased" information, but more returned letters were sent back based on an "unknown addressee" or "unknown address". The latter cases also resulted from inaccurate records of the failed SC and generated additional costs and administration for NDIF.

The first certificates issued by Administrator, permitting the release of blocked deposits and compensation to depositors were received during the week, and therefore additional compensation payments could be provided to such depositors. In addition, the compensation amount were established and paid to the eligible parties on the basis of the resolutions adopted in legal proceedings (inheritance, guardianship authority deposits) and sent to us.

### **Customer information, communications**

The compensation process continued with a steadily declining number of calls and declining media inquiries.

## **9. Compensation tasks of week 5**

**16 - 17 July 2012**

### **NDIF's compensation process**

Following the expiry of the payout deadline, inheritance cases, resolutions on guardianship authority deposits and blocked deposits were managed on a continuous basis in accordance with the received certificates from the Administrator. In addition, we managed complaints made by customers and performed the tasks triggered by them.

### **Payout of state guaranteed deposits**

The database of the Savings Cooperative also included deposits guaranteed by the state, placed prior to 1 July 1993. The Hungarian State assigned NDIF to pay on its behalf approximately HUF 15.8 million (EUR 60,000) in deposits guaranteed by the state.

### **Creditor's claims reported in the voluntary dissolution process.**

As it has been mentioned, the voluntary dissolution process of the Savings Cooperative began on 1 June 2012. By 17 July 2012 (i.e. by the 20th working day) NDIF compensated 99% of the depositors. The remaining 0.8% of depositors could not yet collect any amount from their deposits blocked as a security deposit, deposits involved in inheritance procedures, or they had compensation which beneficiary was unable to collect as yet.

By 31 August 2012, NDIF stated its claim to the voluntary dissolution's Administrator with regard to the compensation payments made until then and its incurred expenses; in addition, NDIF also reported the amounts of compensation payments to be made yet. With regard to paid out deposits and the estimated future compensation obligations the reported claim amounted to HUF 33,239,400,239, while the reported expenses of compensation amounted to in total HUF 77,410,021 (0.23% of the total NDIF's payout obligation).

Until 15 September 2012, the following compensation amounts were paid out:

	H	%
<b>Compensation obligation (including the blocked</b>	<b>33,239,400,239</b>	<b>100</b>
Of which:		
<b>Amounts paid with postal remittance orders (gross)</b>	<b>2,018,482,355</b>	<b>6.1</b>
Compensation paid out with postal remittance orders (transaction number)	7,409	48.3
<b>Amount paid out with NDIF Deposit Insurance Cards</b>	<b>10,091,496,041</b>	<b>30.5</b>
NDIF Deposit Insurance Cards (number)	4,415	28.8
<b>Amount paid through OTP Bank and by way of a transfer (gross)</b>	<b>20,932,456,659</b>	<b>63.4</b>
Compensation paid through OTP Bank and by way of transfers (number of transactions)	3,510	22.9
<b>Total payout</b>	<b>33,042,435,035</b>	
<b>Total compensated depositors</b>	<b>15,334</b>	

NDIF regularly reports claims falling due in the course of voluntary dissolution or liquidation (including compensation payments and the related expenses) to the voluntary dissolution Administrator within the statutory deadline (or to the liquidator in case of liquidation). In its report NDIF also informs the voluntary dissolution's Administrator/liquidator of the modified amount of any future potential compensation payments.

### III. Complaint Management

The call centre service provider transferred reports on customer telephone calls to NDIF on daily bases by type (e.g., general inquiry, complaint or reclamation concerning the amount of deposit). Out of the average 120 incoming customer calls made per day, 20 required more than a formal FAQ handling. These 20 were handled by NDIF employees directly.

NDIF made advance preparations for receiving complaints or reclamations following the first wave of compensation payments. The majority of such complaints referred to the loss of the card or the PIN code, the lack of mobility of the beneficiary, or calls made due to changes in the address or other data. In total 622 complaints were received through the customer service until 31 July 2012, which number is lower than 4% of the customers serviced.

## **IV. Communications**

### **1. Compensation process reports**

- The amendments of the Act were proclaimed on the website of the Hungarian Gazette on 19 June 2012. Then, MTI published the news on the start of compensation by NDIF.
- Simultaneously, NDIF confirmed the news on the start of compensation through its fastest customer information instruments (Facebook and Twitter) and also opened a crisis communication page dedicated to the case on its website (so-called crisis banner), containing the most important information and responses to the previously asked most frequent questions.
- On 20 June 2012, the telephone numbers were diverted to the call center in the morning.
- On 20 June 2012, simultaneously with the data captured on-site, the NDIF communication manager held training for branch managers on the issues occurring in relation to compensation, the forms of customer information, and presented the Announcement to be displayed in branches.
- On 20 June 2012, the NDIF issued a press statement describing the details of payout. In the course of maintaining contact with the press, NDIF gave priority to the media operating in the territory of the branch network of the Savings Cooperative.
- The NDIF Announcement on compensation was published in the daily papers of Magyar Nemzet, Népszabadság and Petőfi Népe, a county newspaper, on 21 June 2012.

### **2. Media relations**

The beginning of compensation of depositors of the Savings Cooperative on 20 June 2012 was accompanied with moderate media interest. Presumably, it was related to the fact that in the 20 days from the beginning of the voluntary dissolution, NDIF's role had already been sufficiently covered by all national and local media.

Numerous journalists approached NDIF from the area of operation of the Savings Cooperative, which is classified as an advanced region of media service providers, requesting information about the details of compensation. All those requests were given priority over the national media.

The NDIF communication manager conducted a media road show in the largest towns of the region on 27 June 2012 in order to supply information to the local media directly.

### **3. Communication channels**

#### *Crisis banner*

The crisis banner was opened on the website on 19 June 2012. All information on compensation were accessible on the highlighted part of the main page of the website.

The average number of website visitors was quite high, especially on the day when voluntary dissolution was announced (3,000 visitors). In total, approximately 10,000 visitors downloaded 55,000 pages by the end of the 20-working day compensation period (till 17 July 2012). Each visitor spent on average 4 minutes on the website, which is a very high figure.



## Call centre

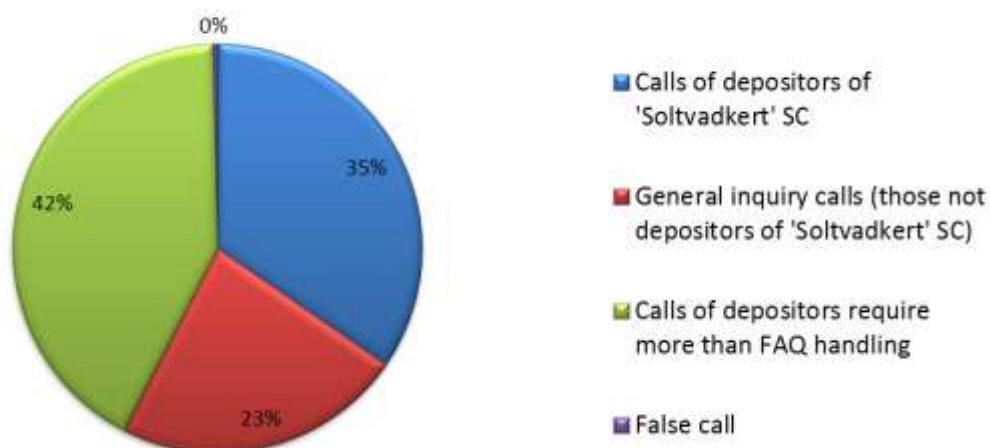


Based on the estimated number of customers, the size of the Savings Co-operative on the market and potential panic reactions of financial consumers, the call centre capacity used by NDIF for the first time was designed to be able to deal with 50,000 incoming calls within the payout period (in 24 hours a day).

However, the actual volume of calls managed by the call centre did not even reach 3,500 incoming calls.

With the help of diverted calls (the call centre also functioned temporarily as NDIF's own telephone operator during the period) the staff of NDIF could manage the payout smoothly.

### Dispersion of incoming calls by type



## Letters, e-mails

NDIF received very few enquiries sent in letters or via e-mail, presumably due to the fact that there was an active call-centre service in place.

### 4. Communication at closing of the compensation period

Having concentrated all resources on fast and problem free compensation, NDIF decided at the beginning to start the case without holding any press event. Consequently, the case was also closed after 20 working days without holding any press event. The fact that depositors “have received their money” fast was confirmed by NDIF on 4 July 2012 only, when it stated that 98% of the problem-free customers received their savings, placed in the Savings Cooperative earlier, within 10 working days.

## **5. Co-operation with partner organisations**

NDIF has established close cooperation with the communication experts of all relevant organisations (OTP, Hungarian Post) in order to provide reassuring and complete information. NDIF was also on a hotline connection with the communication departments of HFSA and NBH<sup>3</sup>.

## **6. Subsequent Customer Satisfaction Survey**

The survey conducted earlier in the course of compensation in 2011 was integrated into NDIF's financial consumer protection activities by sending out the customer satisfaction questionnaires to all customers receiving compensation together with the payment statements.

In the current case, all of the impacted depositors were asked to evaluate the quality of service provided by NDIF to them and to give feedback on the acceptability of the guarantee components stated by law, such as the coverage limit, or the payout timeframe. These are also important factors for assessing financial stability in a country.

Of the 15,662 distributed questionnaires 1,347 were returned. The 9% direct mail responding ratio is considered good on the market.

The questionnaires were processed by an independent expert firm; the work was performed by ClientFirst research company, specialised in customer satisfaction surveys.

The results of the survey conducted after the payout is important indicators not only in terms of the objective assessment of the activities of NDIF, but also for the assessment of the actual status of financial stability after a payout is completed and money is received by individuals.

The results of the current survey confirmed the results of the previous one a year before in most aspects of the payout. The service activities of NDIF have been still considered extremely positive by the respondents. The number of critical remarks and complaints was negligible even compared to the number of respondents.

### **Results**

#### *Satisfaction with the NDIF's compensation service*

93% of the respondents were satisfied (75% of them were completely satisfied).

After the 2011 compensation process 94% of the respondents were satisfied with NDIF, although there were much fewer respondents (only 70 depositors).

#### *Criticism and dissatisfaction*

Only 113 depositors (8% of the respondents) had critical remarks, aimed primarily at the subjective assessment of the compensation conditions and the organisation of work of the paying partners. Apart from that, most criticism was related to the method of payment, while some respondents complained about its speed (the latter was criticised despite the fastest ever NDIF payout).

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<sup>3</sup> NBH – National Bank of Hungary

### *NDIF complaint management*

The question directly concerning the activities and customer services of NDIF was an especially important aspect of the survey, because its result may trigger consequences in the internal organisation of work. Based on the responses of Savings Co-operative's depositors, 98% of the respondents were satisfied with NDIF's responses and complaint management practices.

Compared to the 55% result of the response to the same question of the 2011 compensation process, it was an outstanding achievement especially by taking into account that the results were achieved in the case of three times as many customers as involved in the previous compensation process.

The majority of the critical remarks did not concern the question in this case either (i.e. complaint management), yet important customer opinions were expressed:

- "I have not received an answer to the following question: Where did the interest disappear into?"
- "Today I complained about the HUF conversion of my EUR deposit, but NDIF has not got back to me yet."
- "I was not aware of the activities of NDIF."
- "Customers should have been informed simultaneously with the closing."
- "The matter became to be clearer after three days."

### *Free opinion*

404 customers took the opportunity of expressing their opinions freely in relation to the case; most of them (334 depositors) expressed a positive opinion or a neutral opinion, thanking the employees of NDIF or making proposals for the future.

The criticism (70 depositors) was versatile also in that respect, and most customers expressed heavily subjective remarks concerning the closing of the Savings Cooperative (e.g., by requesting the managers "to be punished severely").

### *Communication channels*

#### *'How did you learn about the compensation?'*

55% of the respondents indicated television, 37% the internet and 30% the branch of the closed bank as the primary source of information. The dominant ratio of the television is presumably the result of the strong county TV network and NDIF's customer information practice deliberately focusing on a regional road show.

#### *'Which source of information was most useful to you?'*

In 2012: 19% TV, 16% internet, 12% branch (in 2011: 37% Internet, 36% branch, 27% TV)

It may be concluded that those three channels of communication were the primary source of information for depositors, which also revealed that the disclosure obligation of NDIF to publish its information in a daily printed newspaper may need to be reconsidered on the basis of the practical feedback. In 2011 only 20%, in 2012 only 5% of the respondents considered the daily papers useful source of information.

### *Key deposit insurance conditions - Financial stability*

Satisfaction with the compensation amount:

According to 76% of the respondents the EUR 100,000 statutory coverage limit is sufficient to them, however 15% feels differently. Compared to the 88% satisfaction and only 5% negative responses related to the compensation process of 2011, the three times higher dissatisfaction was presumably the result of a high number of large depositors involved in the compensation process of the current case. (The number of

large depositors was six times bigger, and the size of large deposits was ten times higher than the similar figures recorded in relation to the 2011 payout case.




On the basis of those remarks one could conclude that the EUR 100,000 compensation is still acceptable for the majority of the depositors.












































Speed of compensation:

According to 92% of the respondents, the 20-working-day payment deadline is acceptable in case a credit institution is closed down (only 5% did not agree). That figure was nearly the same as the result of last year's survey (95% yes. 3% no). Consequently, the 20-day compensation deadline is acceptable also to the depositors of the closed credit institution.

Prepared by: National Deposit Insurance Fund of Hungary

## V. Comparative chronology

Symbols:  20-day compensation - plan  
 Tasks after the 20th day - plan  
 Actual compensation of 'Soltvadkert és Vidéke' Savings Co-operative

	June	20	21	22	25	26	27	28	29	2	3	4	5	6	9	10	11	12	13	16	17	18	July	
Task	0	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.	17.	18.	19.	20.	30.	Closing of the case	
Receipt of HFSA's closing resolution / NDIF Board meeting																								
Capture of deposit data files																								
Publication of general announcement / press conference																								
Selection/notification of outsourced partners																								
Contacting MoF for payment of State Guaranteed Deposits (if applicable)																								
Collection of copies of deposit product descriptions from failed bank																								
Obtaining the list of excluded depositors / deposits																								
Opening the case in IT System, setting of parameters, assignment of users to the case																								
Receiving inquiries (call center)																								
Obtaining declarations of completeness from liquidator																								
Uploading the data into the payout system																								
Preparation of initial (raw) reports on insured deposit volume																								
Automatic data check and cleansing																								
Cash-flow planning and management																								
Verification of payable insured deposits																								
Breakdown of compensation amounts by payment methods																								
"NDIF Deposit Insurance Card" production / personalisation																								
Extension of payout deadline by 10 more working days - NDIF Board meeting (conditional)																								
Distribution of cards and PIN envelopes																								
Transfer of funds to card accounts																								
Transfer of data files / funds to Post for small amounts (under HUF 1 million in compensation)																								
Transfer of data files / funds to paying agent																								
Posting account statements to depositors by direct mails																								
Transfer of complaints and objections to NDIF lawyers for investigation																								
Assessment of complaints, proposal for the necessary measures																								
Feedback on effected payments (reconciliation)																								
Investigation / execution of pending compensation amounts																								
Management of not collected items																								
Reporting of NDIF's creditor claims in the liquidation																								